

**VIATICAL EXAM STUDY OUTLINE FOR VIATICAL ONLY**  
**Twenty-five (25) Question Multiple-Choice Exam**  
**For Life Agents Only**

**PART ONE:**

**Kentucky Viatical Law (76% of the exam will be from Part One)**

References: KRS304.15-020, KRS 304.15-700-720, and Related Regulations;  
*Kentucky Consumer Guide to Understanding Viaticals; General Viatical Definitions & Common Questions (GVSD&Q) as provided*

Section and Related Reference Materials	Content	
01 - KY Consumer Guide & GVSD&Q	<b>General Viatical Questions for Brokers and Consumers</b> Understanding Viatical Settlements Viatical Settlement Provider Viator Viatical Settlement Broker Steps Required by Law in Kentucky Consumer Tips Consumer Options Viatical Settlement Purchase Agreement Cleansheeting Wet Ink Policy	<b>(36% of test)</b>
02 - KRS 304.15-020	<b>General Definitions</b>	<b>(4% of test)</b>
03 - KRS 304.15-700	<b>Licensing requirements and administrative regulations governing viatical settlement providers and brokers - Contracts - Evidence of financial responsibility - Commissioner's approval required.</b>	<b>(4% of test)</b>
04 - KRS 304.15-705	<b>Commissioner's authority to examine - Confidentiality of information concerning viators - Retention and inspection of records - Secretary of State to receive service of process.</b>	<b>(4% of test)</b>
05 - KRS 304.15-710	<b>Viatical Settlement provider's duties of disclosure to viator.</b>	<b>(4% of test)</b>
06 - KRS 304.15-715	<b>Requirements for viatical settlement contracts.</b>	<b>(4% of test)</b>
07 - KRS 304.15-717	<b>Circumstances under which viatical settlements are unlawful.</b>	<b>(4% of test)</b>
08 - 806 KAR 9:310	<b>Viatical settlement broker license.</b>	<b>(8% of test)</b>
09 - 806 KAR 9:320	<b>Viatical settlement provider license.</b>	<b>(8% of test)</b>

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**PART TWO:**

**Insurance Fraud and Securities Law (12% of the exam will come from Part Two)**

References: Reprinted in Part From *Pass Perfect 2000*

*Success at Six*, 1998, Jack C. Keir, Inc., in cooperation with Pass Perfect Associates (publisher)

**Section and  
Page Numbers**

**Content**

**01 - Page 1**  
*Pass Perfect 2000*

**Uniform Securities Act - Definition of Terms (4% of test)**

USA  
NSMIA  
Registration of Securities  
Security Defined

**02 - Pages 79  
to 82**  
*Pass Perfect 2000*

**Unethical Business Practices (4% of test)**

Misleading or Untrue Statements  
Not Determining Suitability of Recommendations To Customers  
Effecting Trades In A Customer Account Without Proper Authorization  
Not Maintaining An "Arm's Length" Relationship With The Customer

**03 - Pages  
121 - 130**  
*Success at Six*, 1998

**Suitability Factors (4% of test)**

Client Investment Objectives  
Preservation of Capital  
Growth of Invested Capital  
Current Income  
Financial Status  
    Personal Balance Sheet  
    Net Worth  
    Personal Income Statement  
    Discretionary Income  
    Debt Should Be Reduced Before Investing  
    Retirement Plan Participation  
Investment Limitations  
    Properly Executed Will  
    Liquidity  
    Insurance Needs  
    Reps Do Not Give Advice Requiring Specific Expertise  
    Taxation of Long-Term and Short-Term Capital Gains

**GENERAL VIATICAL SETTLEMENT DEFINITIONS AND OFTEN ASKED QUESTIONS**  
**(GVSD&Q)**

- Clean Sheeting:** *This practice involves hiding terminal medical conditions from a life insurer, to obtain a policy that can be sold to investors.*
- Wet Ink Policy:** *Promising a sum of money and no premiums payable if they take out insurance policies, which are then viaticated.*
- Jet Underwriting:** *Buying policies that require no underwriting and once issued, viaticating the policy.*

**Questions the broker should be able to answer:**

*What are the income tax consequences to the viator, of selling his or her life insurance policy?*

If the viator is terminally ill with a prognosis of less than 24 months to live or is chronically ill, then the cash received from the sale is not subject to income tax. Otherwise, the proceeds are to be reported as ordinary income and subject to the appropriate capital gains tax rate. As a broker, you should **always** advise the person who is viating the policy to seek proper tax and legal advice, prior to entering into the contract.

*Will the viator have to submit to a medical exam in order to sell his or her policy?*

Usually not. This depends upon the company purchasing the policy. If the person has not seen a doctor for a while, he or she may be required to be examined before his or her physician will provide an Attending Physician's Statement, which is a document required by all purchasing companies.

*Will anyone contact the beneficiary of the policy being viaticated?*

There are no legal requirements; however, most purchasing companies require that each primary beneficiary sign a release, waiving any claims to the policy.

*Who actually has the authority to viaticate the policy?*

The owner of the policy.

*If the viator accepts an offer, can he or she change his or her mind?*

The viator must be informed that he or she can generally change his or her mind at any time, up to the closing (when the title is transferred to the purchaser and money is obtained). After the contract is signed the viatical settlement contract in Kentucky shall contain an unconditional refund provision that provides for a refund within at least thirty (30) days from the date of the contract or fifteen (15) days from the receipt of the viatical settlement proceeds, whichever is less.